

**STATEMENT BY
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**TO THE SUBCOMMITTEE ON THE FEDERAL
WORKFORCE AND AGENCY ORGANIZATION
COMMITTEE ON
GOVERNMENT REFORM
U.S. HOUSE OF REPRESENTATIVES**

**HEARING ON
H.R. 4859, HEALTHIER FEDS AND FAMILIES:
INTRODUCING INFORMATION TECHNOLOGY INTO
THE FEDERAL EMPLOYEES HEALTH BENEFITS
PROGRAM, PART II.**

JUNE 13, 2006

Mr. Chairman and members of the Committee, I am Charles L. Fallis, President of NARFE, the National Active and Retired Federal Employees Association. I appreciate the opportunity to express our views on the “Federal Family Health Information Technology Act of 2006”, legislation to implement a system of electronic health records within the Federal Employees Health Benefits Program (FEHBP). On behalf of the nearly nine million federal annuitants, workers and their families who participate in FEHBP, we applaud your efforts to ensure that this program retains its high standards of quality and medical coverage. The FEHBP helps assure a healthy federal workforce and constitutes an essential part of federal retirees’ and survivors’ earned compensation. FEHBP is also a major component of the federal government’s role as an employer in the recruitment and the retention of its employees.

NARFE sincerely appreciates your commitment to involve us in the development of H.R. 4859 and the entire health information technology (HIT) process. We thank you and your staff for your willingness to meet with us in an open exchange of ideas toward improvement of the legislation. NARFE recognizes that there are medical benefits stemming from the adoption of HIT, and we believe greater coordination of an individual’s medical records for use by providers could save lives, improve efficiency in the overall health care system, and help control health care costs. As president of an organization that represents thousands upon thousands of retirees, I can easily envision a scenario where use of electronic health records could prevent duplication of costly diagnostic measures and perhaps even save the life of an ailing and unconscious annuitant who arrives at a hospital outside his hometown. By being able to access this individual’s medical records, the emergency room personnel would be fully informed of his prior diagnoses and current treatment plans, and could provide the appropriate care, without having to “guess” at the illness or risking his exposure to any possible allergies.

NARFE is also supportive of the legislation's commitment to the protection of individual privacy. Ensuring the protection of medical information is critical for our members and for all FEHBP participants. In light of disturbing lapses by the federal government in maintaining individuals' personal information, including the recent debacle at the Department of Veterans' Affairs (DVA) and an earlier theft of TRICARE participants' records from Department of Defense (DOD) contractors, NARFE remains very concerned about the handling and storage of federal employees' and retirees' medical records. We are pleased the bill assures full compliance with the Health Insurance Portability and Accountability Act of 1996 (HIPAA), and we pledge to be engaged on overall privacy issues related to the use of HIT that is being worked on by both the Department of Health and Human Services (HHS), as well as by the congressional committees that have jurisdiction of these larger health care issues. Electronic health records within FEHBP should never be made available to certain entities, including pharmaceutical companies, for marketing purposes; fundraising organizations that could target enrollees because of a particular health condition; employers, including the federal government, except for purposes of the Federal Employees Compensation Act; and lenders, especially as insurance carriers expand into the banking business. In addition, we believe individuals must retain full control over the disclosure of their electronic health records to providers and other health care facilities.

In addition, NARFE is supportive of the legislation's construction of a voluntary process for FEHBP enrollees to participate in HIT. We are confident that many federal workers and annuitants will want to build an electronic record in order to maximize their health care. We are pleased that the genesis of an electronic health record is only at an enrollee's request. NARFE believes that those individuals who want to establish an electronic health record should be able to

do so easily. And, we believe that those who are not interested in taking part should not be required to take any action.

While savings may well result from this change in how we do business, the upfront cost for establishing electronic records will have to be paid for. H.R. 4859 as introduced directs the Office of Personnel Management (OPM) to apply the unused portion of FEHBP contributions, the one percent administrative fee for OPM's administrative cost in managing FEHBP, to fund phases I and II of the electronic health record system. Since FEHBP's inception, the one percent administrative fee has always been employed for its intended purposes, namely covering OPM's personnel costs and expenses to administer FEHBP with any balance being allocated to contingency reserves established for the health insurance plans. Tapping into the so-called "unused" portion of these FEHBP contributions in order to satisfy additional program spending on HIT would represent an unacceptable departure from OPM's and its predecessor agency, the U.S. Civil Service Commission's, past administration of the FEHBP. As stakeholders in the FEHBP, NARFE believes that the one percent administrative fee should continue to be used for its intended purpose.

The precedent of using the administrative fee for other than program administration, including HIT, could create pressure to increase that fee and increase enrollee premiums to cover any number of non-administrative costs. Going down this road would be both unwise and unnecessary. Moreover, at a time of escalating health care costs, coupled with a graying federal workforce and with almost half of the FEHBP composed of annuitants, NARFE believes it is essential to maintain the current framework to ensure adequate contingency reserve funds which help to ensure that premiums are predictable and affordable to the extent possible.

In conversations with committee staff in response to these concerns, we understand that you, Chairman Porter, are willing to remove from the bill provisions accessing the one percent administrative fee from the legislation. We appreciate your willingness to address this concern. Our further concern, however, is that despite statutory language included to prohibit HIT costs from being taken into account in premium and benefit contract negotiations, HIT spending needed to implement H.R. 4859 could directly result in higher FEHBP premiums, absent a dedicated source of funding. In recent years, both federal workers and annuitants have experienced consistent double digit premium increases, and NARFE members are wary of any item that could cause their rates to soar even higher.

NARFE is also grateful to your committee staff for their active consideration of additional language that would enable ALL FEHBP participants to establish electronic health records, including those who might not be “computer savvy”. While many federal employees operate computers on a daily basis, there are many older annuitants who either do not have access to a computer to input data into a web-based portal, or who are lacking computer literacy. Under current HIPAA law, individuals are granted full access to all of their medical records by requesting hard copies of such records. NARFE is concerned that an individual who does not have access to an internet-portal might not be able to input the necessary data to establish an electronic health record. In order to assure absolute access to electronic health records, NARFE suggests incorporating new language in H. R. 4859 that clarifies that individuals could access their electronic health record through a call center where information could be added and/or checked for accuracy. These additions will guarantee that all interested individuals can take advantage of the benefits stemming from HIT.

Mr. Chairman, I pledge to you that NARFE will work with you and your staff to successfully implement electronic health records within FEHBP. We certainly recognize the potential that exists for new technology to revolutionize the health care system and we share your eagerness to have FEHBP play a part in the promotion of HIT. Thank you for the invitation to share our views here today, and thank you for your able leadership of the Subcommittee.